GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Energy, Infrastructure & Investment Department - UDAY (Ujwal Discom Assurance Yojana) Scheme of Government of India for Operational and Financial Turnaround of Power Distribution Companies (DISCOMs) in the State – Acceptance of implementation of the scheme in the State of Andhra Pradesh – Orders – Issued.

ENERGY, INFRASTRUCTURE & INVESTMENT (POWER.I) DEPARTMENT

G.O.Ms.No.27 **Dated: 26/07/2016**

Read the following:-

1. Ministry of Power, Government of India, New Delhi, Memorandum No.06/02/2015-NEF/FRP, dated 20.11.2015.
2. Government of Andhra Pradesh Letter No.1813/Power.I/2015-1, Energy Department, Dated 02-12-2015.
3. The Director (Finance), APTRANSCO., Hyderababad, Lr.No.Director (Fin) / Dy CCA(APPCC)/D.No.1056/15, Dated 08-12-2015.
4. The Director (Finance), APTRANSCO., Hyderabad, Lr.No.Director(Fin)/ Dy CCA(APPCC)/D.No.1572/15, Dated 14-03-2016.
5. The Director (Finance), APTRANSCO., Hyderabad, Lr.No.Director(Fin)/ Dy CCA(APPCC)/D.No.104/15, Dated 20-04-2016.

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O R D E R:-

The Ministry of Power, Government of India, New Delhi has launched a new Scheme "UDAY" ((Ujwal DISCOM Assurance Yojana) with an objective of improving operational and financial efficiency of DISCOMs. The details of the scheme as mentioned in the reference 1st read above are as follows:-

Key features of UDAY Scheme

- States shall takeover 75% of DISCOM Debt as on 30th September 2015 over two years–50% of DISCOM debt shall be taken over in 2015-16 and 25% in 2016-17.
- States will issue non-SLR including SDL bonds in the market or directly to the respective banks/financial institutions holding the DISCOM debt to the appropriate extent. Proceeds realized from issue of the bonds to the

banks/FIs shall be entirely transferred by the state to DISCOMs, which in turn shall discharge the corresponding amount of banks/FIs debt.

- Debt of DISCOM will be taken over in the priority of debt already due, followed by debt with highest cost
- The transfer of the raised funds to the DISCOMs by the state in 2015-16 and 2016-17 will be as a grant. In case the state is not able to absorb the interest burden of the entire grant immediately, the transfer of grant can be spread over three years i.e. 25% in each of three years with the remaining loan in the books of the Discoms.
- Post implementation of the scheme the effective interest rate on the entire quantum of loans will be in the range of 8.17% to 8.37%.

Benefits to the State

- Debt taken over by the state under this scheme would not be counted against the fiscal deficit limits of the respective states in the financial years 2015-16 and 2016-17.
- Upto 5 years Moratorium on Principal Re-payments.
- Reduction in ARR quantum will lead to Lower tariff increase in the future.
- Requirement of Tariff increase due to previous losses will be avoided.

- Participating states will get the following benefits on meeting operation milestones.
- Additional/priority funding through DDUGJY, IPDS, Power sector Development Fund (PSDF) or other such schemes of MoP and Ministry of New & Renewable Energy (MNRE)
    - Additional coal at notified prices and in case of availability, through higher capacity utilization
    - Low Cost Power from NTPC and other Central Public sector Undertakings (CPSU's)

Benefits to DISCOMS

By subscribing to this scheme the DISCOM will benefit from

- Lower interest burden leading to improved cash flows & avoiding future losses due to loss financing.
- Banks/FIs shall not levy any prepayment charge on the DISCOM debt
- Banks/FIs shall waive off any unpaid overdue interest and penal interest on DISCOM debt and refund/adjust any such overdue/penal interest paid since 1st October 2013.

- The remaining debt on the DISCOM shall be converted by the Banks/FIs into loans or bonds with interest rate not more than the bank's base rate plus 0.1%. Alternately this debt may be fully or partly issued by the DISCOM as state guaranteed DISCOM bonds at the prevailing market rates which shall be equal to or less than bank base rate plus 0.1%

2. The Secretary, MOP, GOI has requested the GOAP to take necessary approval at the State level at the earliest regarding opting for the scheme and to approach the Ministry of Power if any further clarification is required in this regard.

3. Accordingly, the Govt. of AP has communicated the **'in principal acceptance'** to participate in the UDAY Scheme to Ministry of Power, GOI, New Delhi vide reference 2nd read above.

4. The Director(Finance), APTRANSCO & Member, APPCC has informed that the scheme provides an opportunity to States to take over 75% of the outstanding DISCOM's debt on 30.09.2015 in the FY 2015-16 and 2016-17, which would not be counted against their fiscal deficit limit which would reduce the interest burden on DISCOMs by around 4%. Government of India, through coal linkage rationalization, coal swapping, supply of washed and crusted coal, additional coal linkage to States at notified price and faster completion of transmission projects would endeavor to reduce the cost of power generation. UDAY envisages the State Government to ensure the DISCOMs improve their operational efficiencies, particularly reduce the AT&C losses and cost of Power procurement as per the agreed trajectory, so that the ACS & ARR gap is bridged within the agreed time–frame. Since the scheme has already been opted by the Government of Andhra Pradesh all required action by the State regarding the trajectory for turnaround of the DISCOMs and tripartite agreement to implement the scheme would have to be initiated at the earliest.

5. The UDAY Scheme notified by Govt of India stipulates that 75% of the entire loan liability of the DISCOMs as on 30th September 2015 have to be taken over by the Government of the participating State. The details of the loans of APDISCOMs as on 30.09.2015 are as follows:-

1) CAPEX loan :	Rs.3712.49 Crores
2) Working capital loans :	Rs.8461.76 Crores
3) Balance of FRP Bonds liability:	Rs.2546.15 Crores

Total :	Rs.14720.40 Crores
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6. Under the circumstances, Government after careful examination of the matter, hereby accord approval for the following:-

(i) Government of A.P. Shall take over 75% of the working capital loans amounting to Rs.6346.32 crores and Rs.2546.15 crores for outstanding 2012 FRP bonds (Total Rs.8892.47 crores). The DISCOM wise outstanding liabilities are as follows:-

(Rupees in Crores)

S.No.	Particulars	APEPDCL	APSPDCL	TOTAL
1.	Against 100% of FRP 1205.95 1340.20 2546.15 Bonds liability	1205.95	1340.20	2546.15
2.	Against 75% Working capital loan	2094.53	4251.79	6346.32
Total		3300.48	5591.99	8892.47

(Rupees Eight thousand eight hundred ninety two Crores and forty seven lakhs only)

(ii) The remaining debt on the DISCOMs shall be converted by the Banks/FIs into loans or bonds with interest rate not more than the bank's base rate plus 0.1%. Alternately this debt shall be fully or partly issued by the DISCOM as State guaranteed DISCOM bonds at the prevailing market rates which shall be equal to or less than bank base rate plus 0.1%. The details of the balance loan liability that would remain with the DISCOMs as on 30.09.2015, after the above debt swapping by the Government, are as follows:-

Capex loans : Rs.3712.49 Crores.
Balance 25% of working capital loans : Rs.2115.44 Crores.
Total loans remaining with DISCOMs : Rs.5827.93Crores.

(iii) The Energy, Infrastructure & Investment shall request the Ministry of Power, Government of India to extend the exemption from FRBM limit up to the Financial Year 2018-19.

(iv) The Chairman, APPCC & Chairman and Managing Director, APTRANSCO shall appoint a Transaction Advisor **in consultation with Finance Department** to advise and support the DISCOMs and the Government with the debt swap mechanism. He is also directed to convene a meeting with the major lenders to discuss the options and modalities for the swap.

(v) Considering that the Power Purchase cost (PPC) includes that the inefficiencies of generating companies, apart from emergency purchases at a higher cost, both of which contribute to increased tariff to the consumer, an institutional system needs to be put in place for advance planning for power purchase through transparent competitive bidding by the DISCOMs, improved efficiency of APGENCO and APTRANSCO operations, which should happen in tandem with the improved operational efficiency of the DISCOMs. The Chairman, APPCC shall take immediate necessary action in this aspect.

(vi) It is also ordered that action should be taken for fixing timelines for achieving performance improvement targets and a monthly monitoring mechanism, by devising key performance indicators for each officer in-charge on areas of AT&C loss reduction and improvement in meter/billing/collection efficiency. The performance of each officer in-charge shall be linked to KPIs achieved and attract incentive or penalty.

(vii) In this direction, Government hereby constitute a committee under the chairmanship of the Chef Secretary, comprising of the Secretary (Planning), Principal Finance Secretary, MD., APGENCO and CMD., APTRANSCO and the CMDs of both DISCOMs with the Principal Secretary, Energy as the Member Secretary for close monitoring of the performance of the DISCOMs on monthly basis and for providing feedback to the Hon'ble Chief Minister once a quarter and the Council of Ministers twice a year.

7. The Chairman & Managing Directors, APEPDCL, Visakhapatnam and APSPDCL. Tirupathi shall take further necessary action in the matter immediately.

8. The Chairman, APPCC, the Chairman and Managing Director, APTRANSCO shall co-ordinate with the DISCOMs in taking further necessary action as ordered above.

9. This order issues with the concurrence of Finance (DCM) Department vide their U.O.No.22025/2/2016-DCM.I/Finance, Dated: 25-07-2016.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

AJAY JAIN
PRINCIPAL SECRETAY TO GOVERNMENT

To
The Chairman, APPCC & the Chairman and Managing Director,
APTRANSCO.

The Chairman & Managing Director, APEPDCL, Visakhapatnam.
The Chairman & Managing Director, APSPDCL, Tirupathi.
Copy to:-
The Secretary to Government of India, Ministry of Power, New Delhi.
The Director (Finance), APTRANSCO., Member, APPCC., Hyderabad.
The PS to Principal Secretary to Chief Minister.
The General Administration (Cabinet) Department.
The Finance (DCM) Department.
SF/SCs.

//Forwarded:: by orders//

SECTION OFFICER